



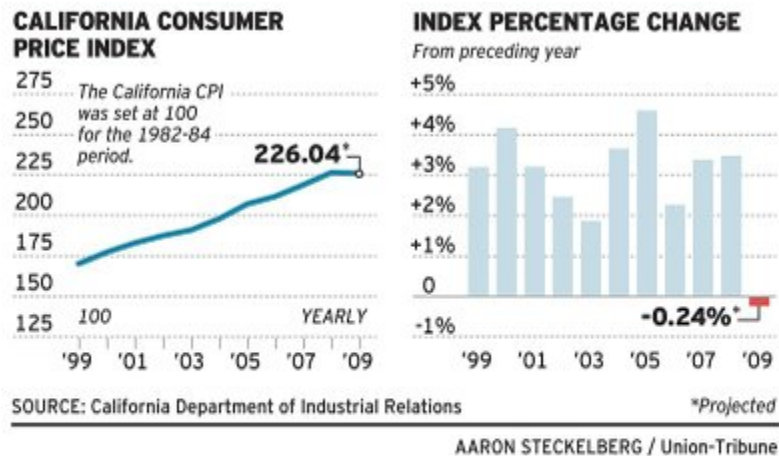
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A first: '10 property taxes will dip

By Roger Showley

San Diego County homeowners can look forward to a very slight decrease in property taxes next year — the equivalent of two tall mochas at Starbucks — as a result of the first decline in the state consumer price index on record.

The state Board of Equalization estimates that the index dropped 0.2 percent over the past year, meaning that the Proposition 13-controlled property tax will drop accordingly for taxes due in December 2010. It's the first time that's happened since the voters passed the tax-reduction measure in 1978.



The annual change in property taxes is tied to the state Consumer Price Index. Under Proposition 13, tax increases can never exceed 2 percent, even if the index does. There is no limit in how far they can drop if the index drops.

Board member Michelle Steel, who represents San Diego County, said the net effect for the owner of a home assessed at \$250,000 will be about \$7. A tall mocha at Starbucks costs \$3.05.

Statewide, a board spokeswoman said the decline will reduce tax collections by hundreds of millions of dollars and thus add further fiscal grief for state and local governments.

"It will obviously provide a bit of relief to taxpayers, which will be appreciated by many during these tough times," said Lani Lutar, president of the San Diego County Taxpayers Association. "But on the other hand, it exactly reflects the

state of the economy, which I think most would rather improve than simply receive the lower rate adjustments.”

San Diego County Treasurer-Tax Collector Dan McAllister said the lowered assessment will mean about \$7 million less going to the county, 18 cities and dozens of local school and special districts.

“I don’t think it’s a cause of celebration when we know we’ll bring in less money,” McAllister said. “What it does mean is less for everyone. ... We’re not out of the economic morass yet and we need to kind of pick ourselves up and hopefully turn a corner in 2010 so we can get back on positive growth again. I still see that a year or so away.”

Under Proposition 13, assessed valuations are frozen at the home purchase price and allowed to rise with the cost of living, but no more than 2 percent annually, as measured every October by the state Department of Industrial Relations. This year, for first time since figures were collected starting in 1955, the cost of living index was negative, according to preliminary estimates. If it holds, the decline will trigger an automatic reduction in assessments and, in turn, property tax bills for both residential and nonresidential owners.

County Assessor David Butler said 765,000 of the county’s 981,000 parcels of land will be affected. Those not benefiting will be property owners who have received a so-called Proposition 8 adjustment, which allows temporary reductions if the market value falls below the assessed value. There are about 216,000 parcels in the county that have received reductions. Those reductions are reviewed annually and will be increased to their own values as the market recovers.

Last year, the state consumer price index rose 3.5 percent, triggering a 2 percent increase for most properties. But because of the assessment reductions, overall county collections this year dropped 2.2 percent. Butler projects next year’s tax take will be down between 1 and 1.5 percent, including the 0.2 percent from the drop in consumer prices.

The reductions will show up in assessments for the 2010-11 tax year, for which payments are due by December 2010 and April 2011.

Steve Erie, political science professor at the University of California San Diego, said many local agencies have been preparing budgets with the hope that property tax revenue will increase.

“That world is over for a while.” he said.